HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Saint John, Moncton CMAs and Fredericton CA

CANADA MORTGAGE AND HOUSING CORPORATION

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Limited Economic Growth Expected in 2011

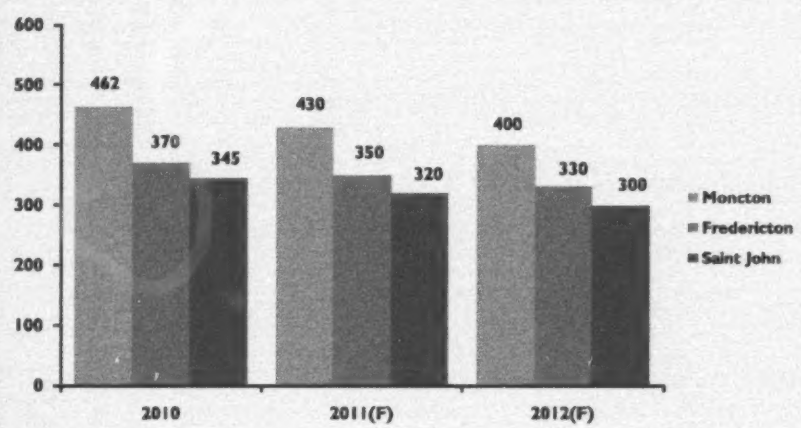
Economic growth in New Brunswick is expected to be muted in 2011. The recently tabled provincial budget focused on fiscal restraint and deficit reduction. As a result, public sector capital expenditures are likely to decline in both 2011 and 2012.

Combined with a soft outlook for large scale private sector investment, the provincial jobs market is expected to trend lower over the forecast period.

Last year, growth in New Brunswick's resource-based economy was weak due to a lingering downturn in global demand for commodities. In spite of recent improvements in demand, the current strength of the Canadian

Figure 1

Single Starts - Moncton, Fredericton and Saint John



Source : CMHC

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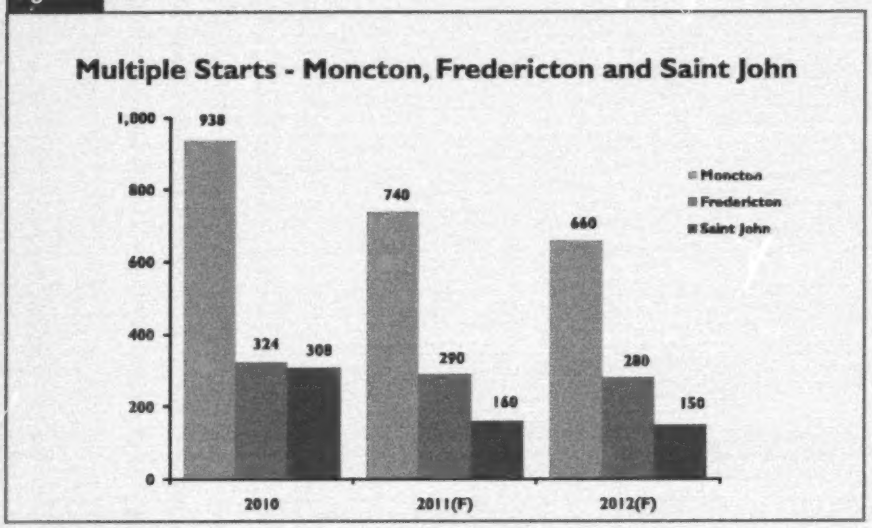
Figure 2



Source : CMHC

dollar continues to negatively impact export activity. The natural resources sector has been one of the hardest hit, as continued weakness in the United States' housing market has resulted in historically low lumber prices. Traditionally, the forestry sector has been a mainstay in New Brunswick's economy as significant quantities of lumber and other forest products were shipped to the United States, the province's largest trading partner. In addition to relatively weak exports in the natural resources sector, the manufacturing, trade and transportation sectors will also face challenges over the forecast period.

The energy sector, which had emerged as a dominant economic driver in the Saint John area during the past decade, will have only modest impact on economic expansion in the near term. Large scale projects under consideration, including renewable energy initiatives, remain in the initial stages of the planning process. As such, they will have limited impact on economic growth in the province over the forecast period.

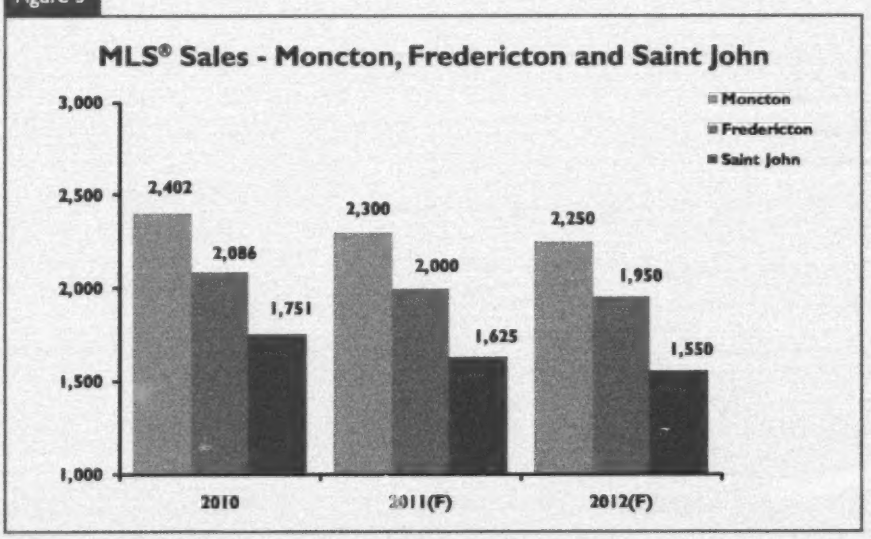
After reaching record levels in 2009, employment levels have either remained stable or begun to trend lower in New Brunswick's three large urban centres. In both Moncton and Saint John, a decline in overall employment has been marked by fewer full time jobs in the service, trade and transportation sectors. Total employment in Fredericton, the provincial capital, has remained relatively stable, as the large public sector workforce, combined with a stable service and retail sector, continued to bolster in-migration. Recent data have also highlighted increased part time employment and fewer people working in the younger age groups.

Provincially, employment levels are expected to decline in both 2011 and 2012. Although the impact is expected to be moderate, reduced employment levels will be felt in the housing market over the forecast period. Provincial housing starts are expected to reach 3,320 units in 2011, followed by a further decline to 3,185 units in 2012.

Mortgage Rates

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25

Figure 3



Source : Canadian Real Estate Association (CREA), CMHC Forecast
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basis points. The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Residential Construction to Decline in 2011

Residential construction activity in Greater Moncton, the province's largest housing market in terms of new construction, is expected to decline in both 2011 and 2012. The rental market was the highlight of the 2010 construction season as apartment starts more than tripled compared to the previous year's total. As expected, the surge in activity led to a higher vacancy rate last fall. Nevertheless, a significant number of units started last year will only be available to local consumers during the first half of 2011. The local vacancy rate is therefore expected to maintain an upward trend this year. With a buildup in inventory and longer absorption times for new structures, expect apartment starts to decline from last year's total, the highest on record in Greater Moncton since 2002.

Since the early part of last year, semi-detached units have gradually recovered from an over-supply situation that peaked in 2009, when, on a monthly basis, the average number of unabsorbed units exceeded 70. Despite the fact that semi-detached starts have not been able to maintain the record pace set in 2008, they continue to maintain a significant share of the overall housing market in Greater Moncton, accounting for approximately 31 per cent of total starts during the past five years. During the past decade, a growing number of first time home buyers have opted for semi-detached homes, bolstering demand for these units. While semi-detached units are expected to remain popular in 2011, an overall decline in housing demand will lead to a moderate reduction in starts in this category in both 2011 and 2012. Combined with fewer apartment starts, expect total multiple starts to decline over the forecast period. A similar trend is expected in the single-detached home market: look for single starts to decline to 430 units in 2011, followed by a modest decline to 400 units in 2012.

In Saint John, new home construction is expected to decline significantly in 2011 following last year's strong performance. In general terms, the new home market in Saint John was buoyed recently by several years of speculation regarding the potential expansion of the local energy sector. Housing starts peaked in 2008, with the highest number of total starts recorded in over two decades. Current economic conditions, however, have impacted expansion in the local energy sector and reduced in-migration relative to the province's other two large urban areas. Activity in the local rental market is expected to moderate over the forecast period due to a rising vacancy rate after some recent strength in apartment unit construction. As a result, expect a decline in multiple starts over the forecast period. Single starts are expected to decline to 320 units in 2011, followed by a subsequent decline in 2012 that will range between five and eight per cent.

Residential construction activity in New Brunswick's Capital Region will continue to be bolstered by multiple starts in 2011. Last fall, Fredericton matched the lowest vacancy rate in the province at 2.6 per cent. The vacancy rate did not increase significantly even though apartment starts in the region were above the ten-year average. Continued development in this market segment is expected in 2011. The pace of development, however, will likely decelerate. In the near term, the provincial government's focus on fiscal restraint has the potential to dampen in-migration to the Fredericton area. As such, demand for rental units, which is expected to remain relatively stable in the province, will nonetheless decline over the forecast period. Consequently, fewer multiple starts, which consist mostly of apartment units in Fredericton, are expected in 2011. Single starts are expected to follow a similar trend in the near term with 350 units in 2011. Next year, single starts will remain relatively stable with approximately 330 starts.

Fewer MLS® Sales Expected in Large Urban Centres

In Fredericton, fewer MLS® sales have been recorded during the first three months of this year. This was not unexpected due to softening demand for existing homes, particularly in the higher price ranges. Over the forecast period, the trend will be maintained as MLS® sales are expected to decline between four and six per cent by the end of 2011. The downward trend is expected to continue in 2012. In addition to reduced sales, the average MLS® sale price was down 1.5 per cent at the end of the first quarter. While the average MLS® sale price is expected to increase compared to last year's level as the year unfolds, price growth will be modest over the forecast period. The average MLS® sale price is expected to reach $172,000 and $175,000 in 2011 and 2012, respectively.

During the first quarter of 2011, Greater Moncton posted the highest volume of MLS® sales in the province. Despite the solid numbers, first quarter MLS® sales were nonetheless lower in 2011 compared to the same period last year. While the year-over-year decline can be partially attributed to harsh winter conditions, reduced MLS® sales are expected in Greater Moncton as the year unfolds. Looking forward, the expected decline by the end of this year should range between two and four per cent as a softer job market impacts demand for existing homes. Fewer MLS® sales and ample listings will limit price growth to less than two per cent over the forecast period. For 2011 and 2012, expect the average MLS® sale price to reach $154,500 and $155,750, respectively.

Since the start of the year, demand for existing homes has been steady in Saint John even though fewer MLS® sales have been recorded. A downward trend in MLS® sales that dates back to the record high set in 2007 is expected to continue to the end of this year and into 2012. MLS® sales are expected to reach 1,625 units in 2011, with a subsequent decline to 1,550 units in 2012. In terms of price, Saint John has consistently posted the highest average resale price in New Brunswick in recent years. As fewer MLS® sales are recorded over the course of the forecast period, however, price growth will be muted. Consequently, it is likely that Saint John will lose the distinction of having the highest average MLS® sale price in New Brunswick. For this year, the average MLS® sale price is expected to stand at $170,000, with a modest increase to $171,500 in 2012.

Vacancy Rates to Decline in Some Provincial Centres

In relative terms, apartment starts in Greater Moncton were very strong in 2010. The resulting impact on the local vacancy rate has been felt in the early months of 2011, with prolonged absorption times for new units. With the potential for another steady performance in terms of apartment starts in 2011, expect the local vacancy rate to rise from last fall's rate of 4.2 per cent and range between 4.6 and 5.0 per cent.

The vacancy rate is expected to rise in Saint John, due, in part, to rising out-migration. Expect the vacancy rate to range between 5.4 and 5.8 per cent in 2011. Limited construction activity this year, and the limited expansion of the local rental universe, will subsequently lead to a slightly lower vacancy rate in 2012.

In Fredericton, strong construction activity has resulted in steady expansion of the local rental universe in recent years. The increase in supply will put upward pressure on vacancy rates. Expect the local vacancy rate to be between 3.0 and 3.4 per cent in 2011. A further increase is anticipated in 2012.

In each of New Brunswick's three major urban areas, expect the increase in the average rent for a two-bedroom unit to range between two and three per cent in both 2011 and 2012.

Forecast Summary Saint John CMA Spring 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	2,166	1,986	1,751	1,625	-7.2	1,550	-4.6
MLS® New Listings	3,621	4,289	3,888	4,100	5.5	3,750	-8.5
MLS® Average Price ($)	158,117	171,027	171,104	170,000	-0.6	171,500	0.9
New Home Market							
Starts:							
Single-Detached	488	369	345	320	-7.2	300	-6.3
Multiples	344	290	308	160	-48.1	150	-6.3
Starts - Total	832	659	653	480	-26.5	450	-6.3
Average Price ($):							
Single-Detached	247,921	282,652	277,325	275,000	-0.8	290,000	5.5
Median Price ($):							
Single-Detached	244,900	251,000	265,000	250,000	-5.7	257,500	3.0
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	2.5	3.3	1.5	0.8	-	1.0	-
Rental Market							
October Vacancy Rate (%)	3.1	3.6	5.1	5.5	0.4	5.0	-0.5
Two-bedroom Average Rent (October) ($)	618	644	645	650	-	660	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	63,700	66,100	64,000	62,500	-2.3	62,000	-0.8
Employment Growth (%)	-1.5	3.8	-3.2	-2.3	-	-0.8	-
Unemployment rate (%)	6.2	5.8	7.6	6.0	-	5.8	-
Net Migration (N.B.)	470	754	602	2,000	**	2,075	3.8

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Moncton CMA Spring 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	2,663	2,386	2,402	2,300	-4.2	2,250	-2.2
MLS® New Listings	4,590	4,195	4,127	4,200	1.8	4,000	-4.8
MLS® Average Price ($)	143,173	150,135	152,251	154,500	1.5	155,750	0.8
New Home Market							
Starts:							
Single-Detached	566	430	462	430	-6.9	400	-7.0
Multiples	793	543	938	740	-21.1	660	-10.8
Starts - Total	1,359	973	1,400	1,170	-16.4	1,060	-9.4
Average Price ($):							
Single-Detached	217,173	226,921	257,320	262,500	2.0	268,000	2.1
Median Price ($):							
Single-Detached	199,900	209,900	239,000	242,000	1.3	246,000	1.7
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	2.5	3.3	1.5	0.8	-	1.0	-
Rental Market							
October Vacancy Rate (%)	2.4	3.8	4.2	4.8	0.6	4.5	-0.3
Two-bedroom Average Rent (October) ($)	656	675	691	710	-	725	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	72,600	72,700	70,900	70,500	-0.6	71,500	1.4
Employment Growth (%)	4.8	0.1	-2.5	-0.6	-	1.4	-
Unemployment rate (%)	5.4	6.2	7.0	6.2	-	6.0	-
Net Migration (N.B.)	1,134	1,909	2,583	2,000	-22.6	2,075	3.8

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NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Fredericton CA Spring 2011	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	2,160	2,166	2,086	2,000	-4.1	1,950	-2.5
MLS® New Listings	4,751	4,406	4,461	4,400	-1.4	4,250	-3.4
MLS® Average Price ($)	152,268	159,219	165,175	172,000	4.1	175,000	1.7
New Home Market							
Starts:							
Single-Detached	475	403	370	350	-5.4	330	-5.7
Multiples	223	352	324	290	-10.5	280	-3.4
Starts - Total	698	755	694	640	-7.8	610	-4.7
Average Price ($):							
Single-Detached	225,002	245,269	245,486	250,000	1.8	265,000	6.0
Median Price ($):							
Single-Detached	219,000	239,000	239,000	239,000	0.0	245,000	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	2.5	3.3	1.5	0.8	-	1.0	-
Rental Market							
October Vacancy Rate (%)	4.3	2.3	2.6	3.2	0.6	3.5	0.3
Two-bedroom Average Rent (October) ($)	697	719	734	750	-	765	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	49,500	51,800	52,475	52,000	-0.9	51,500	-1.0
Employment Growth (%)	0.0	4.6	1.3	-0.9	-	-1.0	-
Unemployment rate (%)	4.6	5.5	5.4	6.1	-	6.0	-
Net Migration (N.B.)	1,134	1,909	2,583	2,000	-22.6	2,075	3.8

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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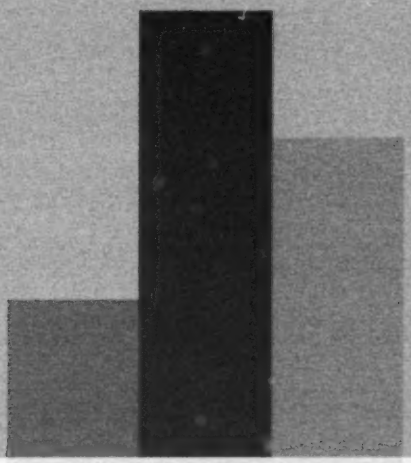

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